

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Release Date: 11/21/2014
Date: August 27, 2014

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

X=
Y=

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

Your letter indicates that you will operate a scholarship program called X.

Your purpose is to engage in charitable activities by enhancing access to higher education. Specifically, you provide scholarships each year to graduates of the Y who meet the terms and conditions of X.

The number of scholarships that you award each year and the amount of each scholarship will vary depending on the amount of funds available to be distributed.

Through the Y Counselor's office, the senior students may complete a Senior Survey. Based on the Senior Survey, the Y Counseling department puts together a spreadsheet listing the prospective candidates that meet the trust criteria ranking them according to GPA, SAT/ACT scores to come up with a composite rank.

You will maintain case histories showing recipients of your scholarships; including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds. You will maintain such information and documentation until the applicable statute of limitations period expires.

You provide scholarships to students who;

- have attended Y,
- major in Science, Engineering or Teaching,
- are honor students with a minimum 80 average,
- demonstrate good citizenship,
- submit SAT and/or ACT,
- final GPA, and
- class rank is also part of the determination.

You will collect data through senior surveys (application) where student fills out what college they will attend, major and financial assistance being received.

All scholarships are awarded on an objective and non-discriminatory basis. No scholarship may be awarded to any disqualified person as defined in Code Section 4946.

You pay the scholarship proceeds directly to the university/college the recipient attends for the benefit of the recipient. You provide a letter to each university/college specifying that the university/college's acceptance of the funds constitutes the university/college's agreement to (i) refund any unused portion of the scholarship if a scholarship recipient fails to meet any term or condition of the scholarship; and (ii) notify the trustee if the scholarship recipient fails to meet any term or condition of the scholarship. If the university/school will not agree to such terms the trustee will obtain the needed reports and grade transcripts from the scholarship recipient.

Y counseling department compiles the candidate list based upon the scholarship criteria. Official list of candidates is then presented to the school principal and Superintendent of Schools for review.

You will maintain all records relating to individual grants, including information obtained to evaluate grantee, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigations of grants.

You will;

- (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,

- (2) investigate diversions of funds from their intended purposes, and
- (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations